Celanese CORP
Form 10-Q
October 27, 2009

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2009

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

(Commission File Number) 001-32410

CELANESE CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Delaware *(State or Other Jurisdiction of Incorporation or Organization)*	**98-0420726** *(I.R.S. Employer Identification No.)*
1601 West LBJ Freeway, Dallas, TX *(Address of Principal Executive Offices)*	**75234-6034** *(Zip Code)*

(Registrant s telephone number, including area code)
(972) 443-4000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

The number of outstanding shares of the registrant s Series A common stock, $0.0001 par value, as of October 22, 2009 was 143,601,100.

CELANESE CORPORATION

Form 10-Q
For the Quarterly Period Ended September 30, 2009

TABLE OF CONTENTS

		Page
	PART I FINANCIAL INFORMATION	
Item 1.	Financial Statements	
	a) Unaudited Interim Consolidated Statements of Operations for the three and nine months ended September 30, 2009 and 2008	3
	b) Unaudited Consolidated Balance Sheets as of September 30, 2009 and December 31, 2008	4
	c) Unaudited Interim Consolidated Statements of Shareholders Equity and Comprehensive Income (Loss) for the nine months ended September 30, 2009	5
	d) Unaudited Interim Consolidated Statements of Cash Flows for the nine months ended September 30, 2009 and 2008	6
	e) Notes to the Unaudited Interim Consolidated Financial Statements	7
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	34
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	47
Item 4.	Controls and Procedures	47
	PART II OTHER INFORMATION	
Item 1.	Legal Proceedings	49
Item 1A.	Risk Factors	49
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	49
Item 3.	Defaults Upon Senior Securities	49
Item 4.	Submission of Matters to a Vote of Security Holders	49
Item 5.	Other Information	49
Item 6.	Exhibits	50
Signatures		51

EX-10.1
EX-31.1
EX-31.2
EX-32.1
EX-31.1
EX-101 INSTANCE DOCUMENT
EX-101 SCHEMA DOCUMENT
EX-101 CALCULATION LINKBASE DOCUMENT
EX-101 LABELS LINKBASE DOCUMENT
EX-101 PRESENTATION LINKBASE DOCUMENT
EX-101 DEFINITION LINKBASE DOCUMENT

Table of Contents

Item 1. ***Financial Statements***

CELANESE CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	(In $ millions, except for per share data)			
Net sales	1,304	1,823	3,694	5,537
Cost of sales	(1,038)	(1,490)	(2,980)	(4,390)
Gross profit	266	333	714	1,147
Selling, general and administrative expenses	(110)	(142)	(338)	(416)
Amortization of intangible assets (primarily customer-related intangible assets)	(20)	(19)	(58)	(58)
Research and development expenses	(18)	(18)	(56)	(59)
Other (charges) gains, net	(96)	(1)	(123)	(24)
Foreign exchange gain (loss), net	(2)	(1)	1	3
Gain (loss) on disposition of businesses and assets, net	45	(1)	41	(1)
Operating profit	65	151	181	592
Equity in net earnings (loss) of affiliates	19	19	44	46
Interest expense	(51)	(65)	(156)	(195)
Interest income	2	8	7	27
Dividend income cost investments	19	35	81	138
Other income (expense), net	(5)	4	(2)	9
Earnings (loss) from continuing operations before tax	49	152	155	617
Income tax (provision) benefit	350	12	328	(106)
Earnings (loss) from continuing operations	399	164	483	511
Earnings (loss) from operation of discontinued operations	-	(8)	-	(120)
Income tax (provision) benefit from discontinued operations	-	2	-	45
Earnings (loss) from discontinued operations	-	(6)	-	(75)

Net earnings (loss)	399	158	483	436
Less: Net earnings (loss) attributable to noncontrolling interests	-	-	-	(1)
Net earnings (loss) attributable to Celanese Corporation	399	158	483	437
Cumulative preferred stock dividends	(3)	(3)	(8)	(8)
Net earnings (loss) available to common shareholders	396	155	475	429
Amounts attributable to Celanese Corporation				
Earnings (loss) from continuing operations	399	164	483	512
Earnings (loss) from discontinued operations	-	(6)	-	(75)
Net earnings (loss)	399	158	483	437
Earnings (loss) per common share basic				
Continuing operations	2.76	1.09	3.31	3.36
Discontinued operations	-	(0.04)	-	(0.50)
Net earnings (loss) basic	2.76	1.05	3.31	2.86
Earnings (loss) per common share diluted				
Continuing operations	2.53	1.01	3.08	3.08
Discontinued operations	-	(0.04)	-	(0.45)
Net earnings (loss) diluted	2.53	0.97	3.08	2.63
Weighted average shares basic	143,591,231	147,063,241	143,542,405	149,976,915
Weighted average shares diluted	157,562,916	162,911,689	156,678,265	166,008,010

Table of Contents

CELANESE CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEETS

	As of September 30, 2009	As of December 31, 2008
	(In $ millions, except share amounts)	
ASSETS		
Current assets		
Cash and cash equivalents	1,293	676
Trade receivables third party and affiliates (net of allowance for doubtful accounts 2009: $21; 2008: $25)	728	631
Non-trade receivables	223	274
Inventories	467	577
Deferred income taxes	60	24
Marketable securities, at fair value	4	6
Assets held for sale	2	2
Other assets	85	96
Total current assets	2,862	2,286
Investments in affiliates	811	789
Property, plant and equipment (net of accumulated depreciation 2009: $1,084; 2008: $1,051)	2,687	2,470
Deferred income taxes	358	27
Marketable securities, at fair value	83	94
Other assets	328	357
Goodwill	806	779
Intangible assets, net	315	364
Total assets	8,250	7,166
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Short-term borrowings and current installments of long-term debt third party and affiliates	265	233
Trade payables third party and affiliates	558	523
Other liabilities	606	574
Deferred income taxes	16	15
Income taxes payable	28	24
Total current liabilities	1,473	1,369
Long-term debt	3,312	3,300
Deferred income taxes	127	122

Uncertain tax positions	225	218
Benefit obligations	1,157	1,167
Other liabilities	1,270	806
Commitments and contingencies		
Shareholders equity		
Preferred stock, $0.01 par value, 100,000,000 shares authorized (2009 and 2008: 9,600,000 issued and outstanding)	-	-
Series A common stock, $0.0001 par value, 400,000,000 shares authorized (2009: 164,202,786 issued and 143,601,100 outstanding; 2008: 164,107,394 issued and 143,505,708 outstanding)	-	-
Series B common stock, $0.0001 par value, 100,000,000 shares authorized (2009 and 2008: 0 shares issued and outstanding)	-	-
Treasury stock, at cost (2009 and 2008: 20,601,686 shares)	(781)	(781)
Additional paid-in capital	503	495
Retained earnings	1,505	1,047
Accumulated other comprehensive income (loss), net	(543)	(579)
Total Celanese Corporation shareholders equity	684	182
Noncontrolling interests	2	2
Total shareholders equity	686	184
Total liabilities and shareholders equity	8,250	7,166

See the accompanying notes to the unaudited interim consolidated financial statements.

Table of Contents

CELANESE CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY AND COMPREHENSIVE INCOME (LOSS)

	Nine Months Ended September 30, 2009	
	Shares Outstanding	Amount
	(In $ millions, except share data)	
Preferred stock		
Balance as of the beginning of the period	9,600,000	-
Issuance of preferred stock	-	-
Balance as of the end of the period	9,600,000	-
Series A common stock		
Balance as of the beginning of the period	143,505,708	-
Stock option exercises	72,601	-
Purchases of treasury stock, including related fees	-	-
Stock awards	22,791	-
Balance as of the end of the period	143,601,100	-
Treasury stock		
Balance as of the beginning of the period	20,601,686	(781)
Purchases of treasury stock, including related fees	-	-
Balance as of the end of the period	20,601,686	(781)
Additional paid-in capital		
Balance as of the beginning of the period		495
Stock-based compensation, net of tax		7
Stock option exercises		1
Balance as of the end of the period		503
Retained earnings		
Balance as of the beginning of the period		1,047
Net earnings (loss) attributable to Celanese Corporation		483
Series A common stock dividends		(17)
Preferred stock dividends		(8)
Balance as of the end of the period		1,505
Accumulated other comprehensive income (loss), net		
Balance as of the beginning of the period		(579)

Unrealized gain (loss) on securities	(1)
Foreign currency translation	31
Unrealized gain (loss) on interest rate swaps	7
Pension and postretirement benefits	(1)
Balance as of the end of the period	(543)
Total Celanese Corporation shareholders equity	684
Noncontrolling interests	
Balance as of the beginning of the period	2
Net earnings (loss) attributable to noncontrolling interests	-
Balance as of the end of the period	2
Total shareholders equity	686
Comprehensive income (loss)	
Net earnings (loss)	483
Other comprehensive income (loss), net of tax	
Unrealized gain (loss) on securities	(1)
Foreign currency translation	31
Unrealized gain (loss) on interest rate swaps	7
Pension and postretirement benefits	(1)
Total comprehensive income (loss), net of tax	519
Comprehensive income (loss) attributable to noncontrolling interests	-
Comprehensive income (loss) attributable to Celanese Corporation	519

See the accompanying notes to the unaudited interim consolidated financial statements.

Table of Contents

CELANESE CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
	2009	2008
	(In $ millions)	
Operating activities		
Net earnings (loss)	483	436
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Other charges (gains), net of amounts used	77	19
Depreciation, amortization and accretion	242	272
Deferred income taxes, net	(367)	(5)
(Gain) loss on disposition of businesses and assets, net	(41)	(2)
Other, net	8	30
Operating cash provided by (used in) discontinued operations	(1)	10
Changes in operating assets and liabilities:		
Trade receivables third party and affiliates, net	(79)	(14)
Inventories	86	(120)
Other assets	40	58
Trade payables third party and affiliates	24	(43)
Other liabilities	(64)	(296)
Net cash provided by operating activities	408	345
Investing activities		
Capital expenditures on property, plant and equipment	(130)	(212)
Acquisitions and related fees, net of cash acquired	(1)	(1)
Proceeds from sale of businesses and assets, net	168	7
Deferred proceeds on Ticona Kelsterbach plant relocation	412	311
Capital expenditures related to Ticona Kelsterbach plant relocation	(248)	(122)
Proceeds from sale of marketable securities	15	147
Purchases of marketable securities	-	(128)
Settlement of cross currency swap agreement	-	(93)
Other, net	(25)	(78)
Net cash provided by (used in) investing activities	191	(169)
Financing activities		
Short-term borrowings (repayments), net	31	8
Proceeds from long-term debt	-	13
Repayments of long-term debt	(56)	(31)
Refinancing costs	(3)	-
Purchases of treasury stock, including related fees	-	(378)
Stock option exercises	1	18
Series A common stock dividends	(17)	(18)

Preferred stock dividends	(8)	(8)
Other, net	-	(6)
Net cash used in financing activities	(52)	(402)
Exchange rate effects on cash and cash equivalents	70	(15)
Net increase (decrease) in cash and cash equivalents	617	(241)
Cash and cash equivalents at beginning of period	676	825
Cash and cash equivalents at end of period	1,293	584

See the accompanying notes to the unaudited interim consolidated financial statements.

CELANESE CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Description of the Company and Basis of Presentation

Description of the Company

Celanese Corporation and its subsidiaries (collectively the Company) is a leading global integrated chemical and advanced materials company. The Company s business involves processing chemical raw materials, such as methanol, carbon monoxide and ethylene, and natural products, including wood pulp, into value-added chemicals, thermoplastic polymers and other chemical-based products.

Basis of Presentation

The unaudited interim consolidated financial statements for the three and nine months ended September 30, 2009 and 2008 contained in this Quarterly Report were prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) for all periods presented. The unaudited interim consolidated financial statements and other financial information included in this Quarterly Report, unless otherwise specified, have been presented to separately show the effects of discontinued operations.

In the opinion of management, the accompanying unaudited consolidated balance sheets and related unaudited interim consolidated statements of operations, cash flows and shareholders equity and comprehensive income (loss) include all adjustments, consisting only of normal recurring items necessary for their fair presentation in conformity with US GAAP. Certain information and footnote disclosures normally included in financial statements prepared in accordance with US GAAP have been condensed or omitted in accordance with rules and regulations of the Securities and Exchange Commission (SEC). These unaudited interim consolidated financial statements should be read in conjunction with the Celanese Corporation and Subsidiaries consolidated financial statements as of and for the year ended December 31, 2008, as filed on February 13, 2009 with the SEC as part of the Company s Annual Report on Form 10-K (the 2008 Form 10-K).

Operating results for the three and nine months ended September 30, 2009 and 2008 are not necessarily indicative of the results to be expected for the entire year.

Estimates and Assumptions

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses and allocated charges during the reporting period. Significant estimates pertain to impairments of goodwill, intangible assets and other long-lived assets, purchase price allocations, restructuring costs and other (charges) gains, net, income taxes, pension and other postretirement benefits, asset retirement obligations, environmental liabilities and loss contingencies, among others. Actual results could differ from those estimates.

Reclassifications

The Company has reclassified certain prior period amounts to conform to the current period s presentation.

2. Recent Accounting Pronouncements

In August 2009, the Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Update No. 2009-05, *Fair Value Measurements and Disclosures* (ASU 2009-05), which is effective for financial statements issued for interim and annual periods ending after August 2009. ASU 2009-05 amends FASB Accounting Standards Codification (FASB ASC) Topic 820-10 (FASB ASC 820-10). The update provides clarification on the techniques for measurement of fair value required of a reporting entity when a quoted price in an active market for an identical liability is not available. This update had no impact on the Company s financial position, results of operations or cash flows.

Table of Contents

In June 2009, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 168, *The FASB Accounting Standards Codification^{tm} and the Hierarchy of Generally Accepted Accounting Principles a replacement of FAS No. 162* (SFAS No. 168), which is effective for financial statements issued for interim and annual periods ending after September 15, 2009. SFAS No. 168 created FASB ASC Topic 105-10 (FASB ASC 105-10). FASB ASC 105-10 identifies the sources of accounting principles and the framework for selecting principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with US GAAP (the GAAP hierarchy). This standard had no impact on the Company s financial position, results of operations or cash flows.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events* (SFAS No. 165), codified in FASB ASC Topic 855-10, which establishes accounting and disclosure standards for events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It defines financial statements as available to be issued, requiring the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, whether it be the date the financial statements were issued or the date they were available to be issued. The Company adopted SFAS No. 165 upon issuance. This standard had no impact on the Company s financial position, results of operations or cash flows.

In April 2009, the FASB issued FASB Staff Position (FSP) No. SFAS 115-2 and SFAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (FSP No. SFAS 115-2 and SFAS 124-2), which is codified in FASB ASC Topic 320-10. FSP No. SFAS 115-2 and SFAS 124-2 provides guidance to determine whether the holder of an investment in a debt security for which changes in fair value are not regularly recognized in earnings should recognize a loss in earnings when the investment is impaired. This FSP also improves the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the consolidated financial statements. The Company adopted FSP No. SFAS 115-2 and SFAS 124-2 beginning April 1, 2009. This FSP had no material impact on the Company s financial position, results of operations or cash flows.

In April 2009, the FASB issued FSP No. SFAS 107-1 and Accounting Principles Board (APB) Opinion No. APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (FSP No. SFAS 107-1 and APB 28-1). FSP No. SFAS 107-1 and APB 28-1, which is codified in FASB ASC Topic 825-10-50, require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. The Company adopted FSP No. SFAS 107-1 and APB 28-1 beginning April 1, 2009. This FSP had no impact on the Company s financial position, results of operations or cash flows.

In April 2009, the FASB issued FSP No. SFAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (FSP No. SFAS 157-4). FSP No. SFAS 157-4, which is codified in FASB ASC Topics 820-10-35-51 and 820-10-50-2, provides additional guidance for estimating fair value and emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique(s) used, the objective of a fair value measurement remains the same. The Company adopted FSP No. SFAS 157-4 beginning April 1, 2009. This FSP had no material impact on the Company s financial position, results of operations or cash flows.

In April 2009, the FASB issued FSP No. SFAS 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies* (FSP No. SFAS 141(R)-1). FSP No. SFAS 141(R)-1, which is codified in FASB ASC Topic 805, *Business Combinations*, addresses application issues related to the measurement, accounting and disclosure of assets and liabilities arising from contingencies in a business combination. The Company adopted FSP No. SFAS 141(R)-1 upon issuance. This FSP had no impact on the Company s financial position, results of operations or cash flows.

In December 2008, the FASB issued FSP No. SFAS 132(R)-1, *Employers Disclosures about Postretirement Benefit Plan Assets*, (FSP No. SFAS 132(R)-1) which is codified in FASB ASC Topic 715-20-50. FSP No. SFAS 132(R)-1 requires enhanced disclosures about the plan assets of a Company s defined benefit pension and other postretirement plans intended to provide financial statement users with a greater understanding of: 1) how investment allocation decisions are made; 2) the major categories of plan assets; 3) the inputs and valuation techniques used to measure the fair value of plan assets; 4) the effect of fair value measurements using significant unobservable inputs on changes in plan assets for the period; and 5) significant concentrations of risk within plan assets. The Company adopted FSP No. SFAS 132(R)-1 on January 1, 2009. This FSP had no impact on the Company s financial position, results of operations or cash flows.

3. Asset Sales and Plant Closures

In July 2009, the Company announced that its wholly-owned French subsidiary, Acetex Chimie, had completed the consultation procedure with the workers council on its Project of Closure and social plan related to the Company s Pardies, France facility pursuant to which the Company announced its formal plan to cease all manufacturing operations and associated activities by December 2009. The Company has agreed with the workers council on a set of measures of assistance aimed at minimizing the effects of the plant s closing on the Pardies workforce, including training, outplacement and severance.

As a result of the Project of Closure, the Company recorded exit costs of $85 million during the three months ended September 30, 2009, which included $58 million in employee termination benefits, $20 million of contract termination costs and $7 million of long-lived impairment losses (see Note 15) to Other charges (gains), net, in the unaudited interim consolidated statements of operations. The fair value of the related held and used long-lived assets is $6 million as of September 30, 2009. In addition, the Company recorded $9 million of accelerated depreciation expense for the nine months ended September 30, 2009 and $3 million of environmental remediation reserves for the three months ended September 30, 2009 related to the shutdown of the Company s Pardies, France facility. The Pardies, France facility is included in the Acetyl Intermediates segment.

In July 2009, the Company completed the sale of its polyvinyl alcohol (PVOH) business to Sekisui Chemical Co., Ltd. (Sekisui) for a net cash purchase price of $168 million, resulting in a gain on disposition of $34 million. The net cash purchase price excludes the accounts receivable and payable retained by the Company. The transaction includes long-term supply agreements between Sekisui and the Company and therefore, does not qualify for treatment as a discontinued operation. The PVOH business is included in the Industrial Specialties segment.

In July 2007, the Company reached an agreement with Babcock & Brown, a worldwide investment firm which specializes in real estate and utilities development, to sell the Company s Pampa, Texas facility. The Company ceased its chemical operations at the site in December 2008. Proceeds received upon certain milestone events are treated as deferred proceeds and included in noncurrent Other liabilities in the Company s unaudited consolidated balance sheets until the transaction is complete (expected to be in 2010), as defined in the sales agreement. The Pampa, Texas facility is included in the Acetyls Intermediates segment. In September 2008, the Company performed a discounted cash flow analysis which resulted in $21 million of long-lived asset impairment losses recorded to Other (charges) gains, net, in the unaudited interim consolidated statements of operations during the three months ended September 30, 2008 (see Note 15).

As of September 30, 2009 and December 31, 2008, Assets held for sale in the unaudited consolidated balance sheets included an office building with a net book value of $2 million.

4. Inventories

	As of September 30, 2009	As of December 31, 2008
	(In $ millions)	

Finished goods	336	434
Work-in-process	23	24
Raw materials and supplies	108	119
Total	467	577

5. Marketable Securities, at Fair Value

The Company s captive insurance companies and pension-related trusts hold available-for-sale securities for capitalization and funding requirements, respectively. The Company received proceeds from sales of marketable securities and recorded realized gains (losses) to Other income (expense), net, in the unaudited interim consolidated statements of operations as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	(In $ millions)			
Proceeds from sale of securities	-	51	15	147
Realized gain on sale of securities	1	-	4	3
Realized loss on sale of securities	-	(2)	-	(5)
Net realized gain (loss) on sale of securities	1	(2)	4	(2)

The Company reviews all investments for other-than-temporary impairment at least quarterly or as indicators of impairment exist. Indicators of impairment include the duration and severity of the decline in fair value below carrying value as well as the intent and ability to hold the investment to allow for a recovery in the market value of the investment. In addition, the Company considers qualitative factors that include, but are not limited to: (i) the financial condition and business plans of the investee including its future earnings potential, (ii) the investee s credit rating, and (iii) the current and expected market and industry conditions in which the investee operates. If a decline in the fair value of an investment is deemed by management to be other-than-temporary, the Company writes down the carrying value of the investment to fair value, and the amount of the write-down is included in net earnings. Such a determination is dependent on the facts and circumstances relating to each investment. As of September 30, 2009, the Company had gross unrealized losses of $6 million related to equity securities held for greater than twelve months in the unaudited consolidated balance sheets. The Company recognized $1 million of other-than-temporary impairment losses related to equity securities in the unaudited interim consolidated statements of operations for the three months ended September 30, 2009.

The amortized cost, gross unrealized gain, gross unrealized loss and fair values for available-for-sale securities by major security type are as follows:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(In $ millions)			
US government debt securities	28	5	-	33
US corporate debt securities	1	-	-	1

Total debt securities	29	5	-	34
Equity securities	56	-	(6)	50
Money market deposits and other securities	3	-	-	3
As of September 30, 2009	88	5	(6)	87
US government debt securities	35	17	-	52
US corporate debt securities	3	-	-	3
Total debt securities	38	17	-	55
Equity securities	55	-	(13)	42
Money market deposits and other securities	3	-	-	3
As of December 31, 2008	96	17	(13)	100

Table of Contents

Fixed maturities as of September 30, 2009 by contractual maturity are shown below. Actual maturities could differ from contractual maturities because borrowers may have the right to call or prepay obligations, with or without call or prepayment penalties.

	Cost	Value
	(In $ millions)	
Within one year	4	4
From one to five years	-	-
From six to ten years	-	-
Greater than ten years	28	33
Total	32	37

Proceeds received from fixed maturities that mature within one year are expected to be reinvested into additional securities upon such maturity.

6. Goodwill and Intangible Assets, Net

Goodwill

	Advanced Engineered Materials	Consumer Specialties	Industrial Specialties	Acetyl Intermediates	Total
			(In $ millions)		
As of December 31, 2008	258	252	34	235	779
Exchange rate changes	7	7	2	11	27
As of September 30, 2009	265	259	36	246	806

The Company assesses the recoverability of the carrying value of its reporting unit goodwill annually during the third quarter of its fiscal year using June 30 balances or whenever events or changes in circumstances indicate that the carrying amount of the asset may not be fully recoverable. Use of a discounted cash flow valuation model is common practice in impairment testing in the absence of available transactional market evidence to determine the fair value. The key assumptions used in the discounted cash flow valuation model include discount rates, growth rates, cash flow projections and terminal value rates. Discount rates, growth rates and cash flow projections are the most sensitive and susceptible to change as they require significant management judgment. Discount rates are determined by using a weighted average cost of capital (WACC). The WACC considers market and industry data as well as Company-specific risk factors for each reporting unit in determining the appropriate discount rates to be used. The discount rate utilized for each reporting unit is indicative of the return an investor would expect to receive for investing in such a business. Operational management, considering industry and Company-specific historical and projected data, develops growth rates and cash flow projections for each reporting unit. Terminal value rate determination follows common methodology of capturing the present value of perpetual cash flow estimates beyond the last projected period assuming a constant WACC and low long-term growth rates.

The market approach uses the Company s estimates for market growth, its market share, and projected sales or earnings based on historical data, various internal estimates, and certain external sources and are based on assumptions that are consistent with the plans and estimates the Company is using to manage the underlying business. Growth rates and sales or earnings projections are the most sensitive and susceptible to change as they require significant management judgment. The market approach uses comparable public companies and recent publicly disclosed transactions in order to calculate multiples to be applied to each reporting unit s representative cash flow levels for the last twelve months to calculate an estimated fair value for each reporting unit. Comparable public companies were determined by selecting companies which offered operational and economic comparability in the areas of major importance to the investing public.

If the calculated fair value using the combination of the two methods above is less than the current carrying value, impairment of the reporting unit may exist. In connection with the Company s annual goodwill impairment test performed during the three months ended September 30, 2009, the Company did not record an impairment loss related to goodwill as the estimated fair value for each of the Company s reporting units exceeded the carrying value of the underlying assets by a substantial margin.

Valuation methodologies utilized to evaluate goodwill for impairment were consistent with prior periods. Specific assumptions, including discount rates, growth rates, cash flow projections and terminal value rates, were updated at the date of the test to consider current industry and Company-specific risk factors from the perspective of a market participant. The current business environment is subject to evolving market conditions and requires significant management judgment to interpret the potential impact to the Company s assumptions. To the extent market changes result in adjusted assumptions, impairment losses may occur in future periods.

Intangible Assets, Net

	Trademarks and Trade names	Licenses	Customer-Related Intangible Assets	Developed Technology	Covenants not to Compete and Other	Total
			(In $ millions)			
Gross Asset Value						
As of December 31, 2008	82	29	537	12	12	672
Exchange rate changes	3	-	22	-	-	25
As of September 30, 2009	85	29	559	12	12	697
Accumulated Amortization						
As of December 31, 2008	-	(3)	(285)	(10)	(10)	(308)
Amortization	(5)	(2)	(49)	(1)	(1)	(58)
Exchange rate changes	-	-	(15)	-	(1)	(16)
As of September 30, 2009	(5)	(5)	(349)	(11)	(12)	(382)
Net book value	80	24	210	1	-	315

Aggregate amortization expense for intangible assets with finite lives during the three months ended September 30, 2009 and 2008 was $18 million and $19 million, respectively. Aggregate amortization expense for intangible assets with finite lives was $53 million and $58 million for the nine months ended September 30, 2009 and 2008, respectively. In addition, during the three and nine months ended September 30, 2009 the Company recorded accelerated amortization expense of $2 million and $5 million, respectively, related to the AT Plastics trade name which was discontinued August 1, 2009. The trade name is now fully amortized.

Estimated amortization expense for the succeeding five fiscal years is $64 million in 2010, $59 million in 2011, $45 million in 2012, $29 million in 2013 and $19 million in 2014.

The Company assesses the recoverability of the carrying value of its indefinite-lived intangible assets annually during the third quarter of its fiscal year using June 30 balances or whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management tests indefinite-lived intangible assets utilizing the relief from royalty method under the income approach to determine the estimated fair value for each indefinite-lived intangible asset. The relief from royalty method estimates the Company s theoretical royalty savings from ownership of the intangible asset. Key assumptions used in this model include discount rates, royalty rates, growth rates, sales projections and terminal value rates. Discount rates, royalty rates, growth rates and sales projections are the assumptions most sensitive and susceptible to change as they require significant management judgment. Discount rates used are similar to the rates estimated by the WACC considering any differences in Company-specific risk factors. Royalty rates are established by management and are periodically substantiated by third-party valuation consultants. Operational management, considering industry and Company-specific historical and projected data, develops growth rates and sales projections associated with each indefinite-lived intangible asset. Terminal value rate determination follows common methodology of capturing the present value of perpetual sales estimates beyond the last projected period assuming a constant discount rate and low long-term growth rates.

If the calculated fair value as described above is less than the current carrying value, impairment of the indefinite-lived intangible asset may exist. In connection with the Company s annual indefinite-lived intangible assets impairment test performed during the three months ended September 30, 2009, the Company recorded an impairment loss of less than $1 million to certain indefinite-lived intangible assets. The fair value of such indefinite-lived intangible assets is $2 million as of September 30, 2009.

Valuation methodologies utilized to evaluate indefinite-lived intangible assets for impairment were consistent with prior periods. Specific assumptions, including discount rates, royalty rates, sales projections and terminal value rates, were updated at the date of the test to consider current industry and Company-specific risk factors from the perspective of a market participant. The current business environment is subject to evolving market conditions and requires significant management judgment to interpret the potential impact to the Company s assumptions. To the extent market changes result in adjusted assumptions, impairment losses may occur in future periods.

For the three and nine months ended September 30, 2009, the Company did not renew or extend any intangible assets.

7. Debt

	As of September 30, 2009	As of December 31, 2008
	(In $ millions)	
Short-term borrowings and current installments of long-term debt third party and affiliates		
Current installments of long-term debt	78	81
Short-term borrowings, principally comprised of amounts due to affiliates	187	152
Total	265	233
Long-term debt		
Senior credit facilities: Term loan facility due 2014	2,802	2,794
Term notes 7.125%, due 2009	-	14
Pollution control and industrial revenue bonds, interest rates ranging from 5.7% to 6.7%, due at various dates through 2030	181	181
Obligations under capital leases and other secured and unsecured borrowings due at various dates through 2054	240	211
Other bank obligations, interest rates ranging from 2.3% to 5.3%, due at various dates through 2014	167	181
Subtotal	3,390	3,381
Less: Current installments of long-term debt	78	81
Total	3,312	3,300

Senior Credit Facilities

The Company s senior credit agreement consists of $2,280 million of US dollar-denominated and 400 million of Euro-denominated term loans due 2014, a $600 million revolving credit facility terminating in 2013 and a $228 million credit-linked revolving facility terminating in 2014. Borrowings under the senior credit agreement bear interest at a variable interest rate based on LIBOR (for US dollars) or EURIBOR (for Euros), as applicable, or, for US dollar-denominated loans under certain circumstances, a base rate, in each case plus an applicable margin. The applicable margin for the term loans and any loans under the credit-linked revolving facility is 1.75%, subject to potential reductions as defined in the senior credit agreement. As of September 30, 2009 the applicable margin was 1.75%. The term loans under the senior credit agreement are subject to amortization at 1% of the initial principal amount per annum, payable quarterly. The remaining principal amount of the term loans is due on April 2, 2014.

As of September 30, 2009, there were $92 million of letters of credit issued under the credit-linked revolving facility and $136 million remained available for borrowing. As of September 30, 2009, there were no outstanding borrowings or letters of credit issued under the revolving credit facility.

On June 30, 2009, the Company entered into an amendment to the senior credit agreement. The amendment reduced the amount available under the revolving credit portion of the senior credit agreement from $650 million to $600 million and increased the first lien senior secured leverage ratio covenant that is applicable when any amount is outstanding under the revolving credit portion of the senior credit agreement as set forth below. Prior to giving effect to the amendment, the maximum first lien senior secured leverage ratio was 3.90 to 1.00. As amended, the maximum senior secured leverage ratio for the following trailing four-quarter periods is as follows:

	First Lien Senior Secured Leverage Ratio
September 30, 2009	5.75 to 1.00
December 31, 2009	5.25 to 1.00
March 31, 2010	4.75 to 1.00
June 30, 2010	4.25 to 1.00
September 30, 2010	4.25 to 1.00
December 31, 2010 and thereafter	3.90 to 1.00

As a condition to borrowing funds or requesting that letters of credit be issued under that facility, the Company s first lien senior secured leverage ratio (as calculated as of the last day of the most recent fiscal quarter for which financial statements have been delivered under the revolving facility) cannot exceed a certain threshold as specified above. Further, the Company s first lien senior secured leverage ratio must be maintained at or below that threshold while any amounts are outstanding under the revolving credit facility. The first lien senior secured leverage ratio is calculated as the ratio of consolidated first lien senior secured debt to earnings before interest, taxes, depreciation and amortization, subject to adjustments identified in the credit agreement.

Based on the estimated first lien senior secured leverage ratio for the trailing four quarters at September 30, 2009, the Company s borrowing capacity under the revolving credit facility is $600 million. As of September 30, 2009, the Company estimates its first lien senior secured leverage ratio to be 4.37 to 1.00 (which would be 5.27 to 1.00 were the revolving credit facility fully drawn). The maximum first lien senior secured leverage ratio under the revolving credit facility for such period is 5.75 to 1.00.

The Company s senior credit agreement also contains a number of restrictions on certain of its subsidiaries, including, but not limited to, restrictions on their ability to incur indebtedness; grant liens on assets; merge, consolidate or sell assets; pay dividends or make other restricted payments; make investments; prepay or modify certain indebtedness; engage in transactions with affiliates; enter into sale-leaseback transactions or hedge transactions; or engage in other businesses. The senior credit agreement also contains a number of affirmative covenants and events of default, including a cross-default to other debt of certain of the Company s subsidiaries in an aggregate amount equal to more than $40 million and the occurrence of a change of control. Failure to comply with these covenants, or the occurrence of any other event of default, could result in acceleration of the repayment of loans and other financial obligations under the Company s senior credit agreement.

The senior credit agreement is guaranteed by Celanese Holdings LLC, a subsidiary of Celanese Corporation, and certain domestic subsidiaries of the Company s subsidiary, Celanese US Holdings LLC (Celanese US), a Delaware limited liability company, and is secured by a lien on substantially all assets of Celanese US and such guarantors, subject to certain agreed exceptions, pursuant to the Guarantee and Collateral Agreement, dated as of April 2, 2007, by and among Celanese Holdings LLC, Celanese US, certain subsidiaries of Celanese US and Deutsche Bank AG, New York Branch, as Administrative Agent and as Collateral Agent.

The Company is in compliance with all of the covenants related to its debt agreements as of September 30, 2009.

8. Other Liabilities

The components of current Other liabilities are as follows:

	As of September 30, 2009	As of December 31, 2008
	(In $ millions)	
Salaries and benefits	107	107
Environmental	17	19
Restructuring	102	32
Insurance	34	34
Asset retirement obligations	19	9
Derivatives	76	67
Current portion of benefit obligations	57	57
Interest	24	54
Sales and use tax/foreign withholding tax payable	10	16
Uncertain tax positions	6	-
Other	154	179
Total	606	574

The components of noncurrent Other liabilities are as follows:

	As of September 30, 2009	As of December 31, 2008
	(In $ millions)	
Environmental	86	79
Insurance	78	85
Deferred revenue	50	56
Deferred proceeds (see Notes 3 and 19)	860	370
Asset retirement obligations	34	40
Derivatives	55	76
Other	107	100
Total	1,270	806

9. Benefit Obligations

The components of net periodic benefit costs recognized are as follows:

	Pension Benefits		Postretirement Benefits		Pension Benefits		Postretirement Benefits	
	Three Months Ended September 30,				Nine Months Ended September 30,			
	2009	2008	2009	2008	2009	2008	2009	2008
	(In $ millions)							
Service cost	8	8	-	-	22	24	1	1
Interest cost	50	50	5	4	145	149	13	13
Expected return on plan assets	(54)	(56)	-	-	(156)	(167)	-	-
Recognized actuarial (gain) loss	-	1	(1)	(1)	1	1	(4)	(3)
Settlement (gain) loss	-	-	-	-	1	-	-	-
Total	4	3	4	3	13	7	10	11

The Company expects to contribute $40 million to its defined benefit pension plans in 2009. As of September 30, 2009, $29 million of contributions have been made. The Company s estimates of its US defined benefit pension plan contributions reflect the provisions of the Pension Protection Act of 2006.

The Company expects to make benefit contributions of $35 million under the provisions of its other postretirement benefit plans in 2009. For the nine months ended September 30, 2009, $20 million of benefit contributions have been made.

The Company participates in multiemployer defined benefit plans in Europe covering certain employees. The Company s contributions to the multiemployer defined benefit plans are based on specified percentages of employee contributions and totaled $4 million for the nine months ended September 30, 2009.

10. Environmental

General

The Company is subject to environmental laws and regulations worldwide which impose limitations on the discharge of pollutants into the air and water and establish standards for the treatment, storage and disposal of solid and hazardous wastes. The Company believes that it is in substantial compliance with all applicable environmental laws and regulations. The Company is also subject to retained environmental obligations specified in various contractual agreements arising from divestiture of certain businesses by the Company or one of its predecessor companies. The Company s environmental reserves for remediation matters were $103 million and $98 million as of September 30, 2009 and December 31, 2008, respectively.

Remediation

Due to its industrial history and through retained contractual and legal obligations, the Company has the obligation to remediate specific areas on its own sites as well as on divested, orphan or US Superfund sites (as defined below). In addition, as part of the demerger agreement between the Company and Hoechst AG (Hoechst), a specified portion of the responsibility for environmental liabilities from a number of Hoechst divestitures was transferred to the Company. The Company provides for such obligations when the event of loss is probable and reasonably estimable. The Company believes that environmental remediation costs will not have a material adverse effect on the financial position of the Company, but may have a material adverse effect on the results of operations or cash flows in any given accounting period.

US Superfund Sites

In the US, the Company may be subject to substantial claims brought by US federal or state regulatory agencies or private individuals pursuant to statutory authority or common law. In particular, the Company has a potential liability under the US Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, and related state laws (collectively referred to as Superfund) for investigation and cleanup costs at approximately 50 sites. At most of these sites, numerous companies, including certain companies comprising the Company, or one of its predecessor companies, have been notified that the Environmental Protection Agency, state governing bodies or private individuals consider such companies to be potentially responsible parties (PRP) under Superfund or related laws. The proceedings relating to these sites are in various stages. The cleanup process has not been completed at most sites and the status of the insurance coverage for most of these proceedings is uncertain. Consequently, the Company cannot determine accurately its ultimate liability for investigation or cleanup costs at these sites.

As events progress at each site for which it has been named a PRP, the Company accrues, as appropriate, a liability for site cleanup. Such liabilities include all costs that are probable and can be reasonably estimated. In establishing these liabilities, the Company considers its shipment of waste to a site, its percentage of total waste shipped to the site, the types of wastes involved, the conclusions of any studies, the magnitude of any remedial actions that may be necessary and the number and viability of other PRPs. Often the Company joins with other PRPs to sign joint defense agreements that settle, among PRPs, each party s percentage allocation of costs at the site. Although the ultimate liability may differ from the estimate, the Company routinely reviews the liabilities and revises the estimate, as appropriate, based on the most current information available. The Company had provisions totaling $10 million and $11 million as of September 30, 2009 and December 31, 2008, respectively.

Additional information relating to environmental remediation activity is contained in the footnotes to the Company s consolidated financial statements included in the 2008 Form 10-K.

11. Shareholders Equity

Treasury Stock

In February 2008, the Company s Board of Directors authorized the repurchase of up to $400 million of the Company s Series A common stock. This authorization was increased to $500 million in October 2008. The authorization gives management discretion in determining the conditions under which shares may be repurchased. As of September 30, 2009, the Company had repurchased 9,763,200 shares of its Series A common stock pursuant to this authorization. During the nine months ended September 30, 2009, the Company did not repurchase any shares of its Series A common stock. During the nine months ended September 30, 2008, the Company repurchased 9,763,200 shares of its Series A common stock at an average purchase price of $38.68 per share for a total of $378 million pursuant to this authorization.

Purchases of treasury stock reduce the number of shares outstanding and the repurchased shares may be used by the Company for compensation programs utilizing the Company s stock and other corporate purposes. The Company accounts for treasury stock using the cost method and includes treasury stock as a component of Shareholders equity.

Other Comprehensive Income (Loss), Net

Adjustments to net earnings (loss) to calculate Other comprehensive income (loss), net, totaled $36 million and $(89) million for the nine months ended September 30, 2009 and 2008, respectively. These amounts were net of tax expense of zero for both the nine months ended September 30, 2009 and 2008. Adjustments to net earnings (loss) for comprehensive income (loss) totaled $45 million and $(98) million for the three months ended September 30, 2009 and 2008, respectively. These amounts were net of tax expense of $1 million and $0 for the three months ended September 30, 2009 and 2008, respectively.

12. Commitments and Contingencies

The Company is involved in a number of legal proceedings, lawsuits and claims incidental to the normal conduct of business, relating to such matters as product liability, antitrust, past waste disposal practices and release of chemicals into the environment. While it is impossible at this time to determine with certainty the ultimate outcome of these proceedings, lawsuits and claims, the Company is actively defending those matters where the Company is named as a defendant. Additionally, the Company believes it has determined its best estimate, based on the advice of legal counsel, that adequate reserves have been made and that the ultimate outcomes will not have a material adverse effect on the financial position of the Company; however, the ultimate outcome of any given matter may have a material impact on the results of operations or cash flows of the Company in any given reporting period.

Plumbing Actions

CNA Holdings, LLC (CNA Holdings), a US subsidiary of the Company, which included the US business now conducted by the Ticona business included in the Advanced Engineered Materials segment, along with Shell Oil Company (Shell), E.I. DuPont de Nemours and Company (DuPont) and others, has been a defendant in a series of lawsuits, including a number of class actions, alleging that plastics manufactured by these companies that were utilized in the production of plumbing systems for residential property were defective or caused such plumbing systems to fail. Based on, among other things, the findings of outside experts and the successful use of Ticona s acetal copolymer in similar applications, CNA Holdings does not believe Ticona s acetal copolymer was defective or caused the plumbing systems to fail. In many cases CNA Holdings potential future exposure may be limited by invocation of the statute of limitations since CNA Holdings ceased selling the resin for use in the plumbing systems in site-built homes during 1986 and in manufactured homes during 1990.

In November 1995, CNA Holdings, DuPont and Shell entered into national class action settlements which called for the replacement of plumbing systems of claimants who have had qualifying leaks, as well as reimbursements for certain leak damage. In connection with such settlements, the three companies had agreed to fund these replacements and reimbursements up to an aggregate amount of $950 million. In 2002, based on projections that the cap would be exceeded, Shell and the Company added $75 million for a total of $1.025 billion. The cap was further increased by $78 million to $1.103 billion primarily as a result of funds transferred from the US Brass Trust. Additional funds transferred from the US Brass Trust may further increase the cap in the future. Excess funds remaining upon complete dissolution of the class action are payable to Shell and the Company.

During the period between 1995 and 2001, CNA Holdings was also named as a defendant in the following putative class actions:

Cox, et al. v. Hoechst Celanese Corporation, et al., No. 94-0047 (Chancery Ct., Obion County, Tennessee) (class was certified).

Couture, et al. v. Shell Oil Company, et al., No. 200-06-000001-985 (Quebec Superior Court, Canada).

Dilday, et al. v. Hoechst Celanese Corporation, et al., No. 15187 (Chancery Ct., Weakley County, Tennessee).

Furlan v. Shell Oil Company, et al., No. C967239 (British Columbia Supreme Court, Vancouver Registry, Canada).

Gariepy, et al. v. Shell Oil Company, et al., No. 30781/99 (Ontario Court General Division, Canada).

Shelter General Insurance Co., et al. v. Shell Oil Company, et al., No. 16809 (Chancery Ct., Weakley County, Tennessee).

St. Croix Ltd., et al. v. Shell Oil Company, et al., No. 1997/467 (Territorial Ct., St. Croix Division, the US Virgin Islands).

Tranter v. Shell Oil Company, et al., No. 46565/97 (Ontario Court General Division, Canada).

In addition, between 1994 and 2008 CNA Holdings was named as a defendant in numerous non-class actions filed in Florida, Georgia, Louisiana, Mississippi, New Jersey, Tennessee and Texas, the US Virgin Islands and Canada of which nine are currently pending. In all of these actions, the plaintiffs have sought recovery for alleged damages caused by leaking polybutylene plumbing. Damage amounts have generally not been specified but these cases generally do not involve (either individually or in the aggregate) a large number of homes.

As of September 30, 2009 and December 31, 2008, the Company had remaining accruals of $62 million and $64 million, respectively, of which $1 million is included in current Other liabilities in the unaudited consolidated balance sheets.

The Company reached settlements with CNA Holdings insurers specifying their responsibility for these claims. During the year ended December 31, 2007, the Company received $23 million of insurance proceeds from various CNA Holdings insurers as full satisfaction for their responsibility for these claims. During the year ended December 31, 2008, the Company received less than $1 million from insurers. During the nine months ended September 30, 2009, the Company recognized a $2 million decrease in legal reserves for plumbing claims for which the statute of limitations has expired and received $1 million of insurance recoveries associated with plumbing cases.

Plumbing Insurance Indemnifications

Celanese GmbH entered into agreements with insurance companies related to product liability settlements associated with Celcon® plumbing claims. These agreements, except those with insolvent insurance companies, require the Company to indemnify and/or defend these insurance companies in the event that third parties seek additional monies for matters released in these agreements. The indemnifications in these agreements do not provide for time limitations.

In certain of the agreements, Celanese GmbH received a fixed settlement amount. The indemnities under these agreements generally are limited to, but in some cases are greater than, the amount received in settlement from the insurance company. The maximum exposure under these indemnifications is $95 million. Other settlement agreements have no stated limits.

There are other agreements whereby the settling insurer agreed to pay a fixed percentage of claims that relate to that insurer s policies. The Company has provided indemnifications to the insurers for amounts paid in excess of the settlement percentage. These indemnifications do not provide for monetary or time limitations.

Sorbates Antitrust Actions

In May 2002, the European Commission informed Hoechst of its intent to officially investigate the sorbates industry. In early January 2003, the European Commission served Hoechst, Nutrinova, Inc., a US subsidiary of Nutrinova Nutrition Specialties & Food Ingredients GmbH and previously a wholly owned subsidiary of Hoechst (Nutrinova), and a number of competitors of Nutrinova with a statement of objections alleging unlawful, anticompetitive behavior affecting the European sorbates market. In October 2003, the European Commission ruled that Hoechst, Chisso Corporation, Daicel Chemical Industries Ltd. (Daicel), The Nippon Synthetic Chemical Industry Co. Ltd. and Ueno Fine Chemicals Industry Ltd. operated a cartel in the European sorbates market between 1979 and 1996. The European Commission imposed a total fine of 138 million on such companies, of which 99 million was assessed against Hoechst and its legal successors. The case against Nutrinova was closed. Pursuant to the Demerger Agreement with Hoechst, Celanese GmbH was assigned the obligation related to the sorbates antitrust matter; however, Hoechst, and its legal successors, agreed to indemnify Celanese GmbH for 80% of any costs Celanese GmbH incurred relative to this matter. Accordingly, Celanese GmbH recognized a receivable from Hoechst from this indemnification. In June 2008, the Court of First Instance of the European Communities (Fifth Chamber) reduced the fine against Hoechst to 74.25 million and in July 2008, Hoechst paid the 74.25 million fine. In August 2008, the Company paid Hoechst 17 million, including interest of 2 million, in satisfaction of its 20% obligation with respect to the fine.

Based on the advice of external counsel and a review of the existing facts and circumstances relating to the sorbates antitrust matters, including the settlement of the European Union s investigation, as well as civil claims filed and settled, the Company released its accruals related to the settled sorbates antitrust matters and the indemnification receivables resulting in a gain of $8 million, net, for the year ended December 31, 2008.

In addition, in 2004 a civil antitrust action styled *Freeman Industries LLC v. Eastman Chemical Co., et. al.* was filed against Hoechst and Nutrinova, in the Law Court for Sullivan County in Kingsport, Tennessee. The plaintiff sought monetary damages and other relief for alleged conduct involving the sorbates industry. The trial court dismissed the plaintiff s claims and upon appeal the Supreme Court of Tennessee affirmed the dismissal of the plaintiff s claims. In December 2005, the plaintiff lost an attempt to amend its complaint and the entire action was dismissed with prejudice by the trial court. Plaintiff s counsel has subsequently filed a new complaint with new class representatives in the District Court of the District of Tennessee. The Company s motion to strike the class allegations was granted in April 2008 and the plaintiff s request to appeal the ruling is currently pending.

Acetic Acid Patent Infringement Matters

On May 9, 1999, Celanese International Corporation filed a private criminal action styled *Celanese International Corporation v. China Petrochemical Development Corporation* against China Petrochemical Development Corporation (CPDC) in the Taiwan Kaoshiung District Court alleging that CPDC infringed Celanese International Corporation s patent covering the manufacture of acetic acid. Celanese International Corporation also filed a supplementary civil brief which, in view of changes in Taiwanese patent laws, was subsequently converted to a civil action alleging damages against CPDC based on a period of infringement of ten years, 1991-2000, and based on CPDC s own data which was reported to the Taiwanese securities and exchange commission. Celanese International

Corporation s patent was held valid by the Taiwanese patent office. On August 31, 2005, the District Court held that CPDC infringed Celanese International Corporation s acetic acid patent and awarded Celanese International Corporation approximately $28 million (plus interest) for the period of 1995 through 1999. In October 2008, the High Court, on appeal, reversed the District Court s $28 million award to the Company. The Company appealed to the Superior Court in November 2008, and the court remanded the case to the IP court on June 4, 2009. On January 16, 2006, the District Court awarded Celanese International Corporation $800,000 (plus interest) for the year 1990. In January 2009, the High Court, on appeal, affirmed the District Court s award and CPDC appealed on February 5, 2009. On June 29, 2007, the District Court awarded Celanese International Corporation $60 million (plus interest) for the period of 2000 through 2005. CPDC appealed this ruling and on July 21, 2009, the High Court ruled in CPDC s favor. The Company appealed this decision to the High Court in August 2009.

Domination Agreement

On October 1, 2004, a Domination Agreement between Celanese GmbH and Celanese Europe Holding GmbH & Co. KG (the Purchaser) became operative. When the Domination Agreement became operative, the Purchaser became obligated to offer to acquire all outstanding Celanese GmbH shares from the minority shareholders of Celanese GmbH in return for payment of fair cash compensation. The amount of this fair cash compensation was determined to be 41.92 per share, plus interest, in accordance with applicable German law. Until the Squeeze-Out was registered in the commercial register in Germany on December 22, 2006, any minority shareholder who elected not to sell its shares to the Purchaser was entitled to remain a shareholder of Celanese GmbH and to receive from the Purchaser a gross guaranteed annual payment on its shares of 3.27 per Celanese GmbH share less certain corporate taxes in lieu of any dividend.

The Domination Agreement could not be terminated by the Purchaser in the ordinary course of business until September 30, 2009. The Company s subsidiaries, Celanese International Holdings Luxembourg S.à r.l. (CIH), formerly Celanese Caylux Holdings Luxembourg S.C.A., and Celanese US, have each agreed to provide the Purchaser with financing to strengthen the Purchaser s ability to fulfill its obligations under, or in connection with, the Domination Agreement and to ensure that the Purchaser will perform all of its obligations under, or in connection with, the Domination Agreement when such obligations become due, including, without limitation, the obligation to compensate Celanese GmbH for any statutory annual loss incurred by Celanese GmbH during the term of the Domination Agreement. If CIH and/or Celanese US are obligated to make payments under such guarantees or other security to the Purchaser, the Company may not have sufficient funds for payments on its indebtedness when due. The Company has not had to compensate Celanese GmbH for an annual loss for any period during which the Domination Agreement has been in effect.

The amounts of the fair cash compensation and of the guaranteed annual payment offered under the Domination Agreement are under court review in special award proceedings. As a result of these proceedings, either amount could be increased by the court so that all former Celanese GmbH shareholders, including those who have already tendered their shares into the mandatory offer and have received the fair cash compensation could claim the respective higher amounts. Certain former Celanese GmbH shareholders may initiate such proceedings also with respect to the Squeeze-Out compensation. In this case, former Celanese GmbH shareholders who ceased to be shareholders of Celanese GmbH due to the Squeeze-Out are entitled, pursuant to a settlement agreement between the Purchaser and certain former Celanese GmbH shareholders, to claim for their shares the higher of the compensation amounts determined by the court in these different proceedings. Payments these shareholders already received as compensation for their shares will be offset so that those shareholders who ceased to be shareholders of Celanese GmbH due to the Squeeze-Out are not entitled to more than the higher of the amount set in the two court proceedings.

Shareholder Litigation

The amounts of the fair cash compensation and of the guaranteed annual payment offered under the Domination Agreement may be increased in special award proceedings initiated by minority shareholders, which may further reduce the funds the Purchaser can otherwise make available to the Company. As of March 30, 2005, several minority shareholders of Celanese GmbH had initiated special award proceedings seeking the court s review of the amounts of the fair cash compensation and of the guaranteed annual payment offered under the Domination Agreement. As a result of these proceedings, the amount of the fair cash consideration and the guaranteed annual payment offered under the Domination Agreement could be increased by the court so that all minority shareholders, including those who have already tendered their shares into the mandatory offer and have received the fair cash compensation could claim the respective higher amounts. The court dismissed all of these proceedings in March 2005 on the grounds of inadmissibility. Thirty-three plaintiffs appealed the dismissal, and in January 2006, twenty-three of these appeals were granted by the court. They were remanded back to the court of first instance, where the valuation will be further reviewed. On December 12, 2006, the court of first instance appointed an expert to help determine the value of Celanese GmbH. In the first quarter of 2007, certain minority shareholders that received 66.99 per share as fair cash compensation also filed award proceedings challenging the amount they received as fair cash compensation.

The Company received applications for the commencement of award proceedings filed by 79 shareholders against the Purchaser with the Frankfurt District Court requesting the court to set a higher amount for the Squeeze-Out compensation. The motions are based on various alleged shortcomings and mistakes in the valuation of Celanese GmbH done for purposes of the Squeeze-Out. On May 11, 2007, the court of first instance appointed a common representative for those shareholders that have not filed an application on their own. The Company anticipates a report by the valuation expert before the end of 2009.

Polyester Staple Antitrust Litigation

CNA Holdings, the successor in interest to Hoechst Celanese Corporation (HCC), Celanese Americas Corporation and Celanese GmbH (collectively, the Celanese Entities) and Hoechst, the former parent of HCC, were named as defendants in two actions (involving 25 individual participants) filed in September 2006 by US purchasers of polyester staple fibers manufactured and sold by HCC. The actions allege that the defendants participated in a conspiracy to fix prices, rig bids and allocate customers of polyester staple sold in the United States. These actions were consolidated in a proceeding by a Multi-District Litigation Panel in the United States District Court for the Western District of North Carolina styled *In re Polyester Staple Antitrust Litigation*, MDL 1516. On June 12, 2008 the court dismissed these actions against all Celanese Entities in consideration of a payment by the Company of $107 million. This proceeding related to sales by the polyester staple fibers business which Hoechst sold to KoSa, Inc. in 1998. Accordingly, the impact of this settlement is reflected within discontinued operations in the consolidated statements of operations. The Company also previously entered into tolling arrangements with four other alleged US purchasers of polyester staple fibers manufactured and sold by the Celanese Entities. These purchasers were not included in the settlement and one such company filed suit against the Company in December 2008 in the Western District of North Carolina entitled *Milliken & Company v. CNA Holdings, Inc., Celanese Americas Corporation and Hoechst AG* (No. 8-CV-00578). The Company is actively defending this matter.

In 1998, HCC sold its polyester staple business as part of the sale of its Film & Fibers Division to KoSa B.V., f/k/a Arteva B.V. and a subsidiary of Koch Industries, Inc. (KoSa). In March 2001 the US Department of Justice (DOJ) commenced an investigation of possible price fixing regarding the sales of polyester staple fibers in the US subsequent to the period the Celanese Entities were engaged in the polyester staple fiber business. The Celanese Entities were never named in the DOJ action. As a result of the DOJ action, during August of 2002, Arteva Specialties, S.a.r.l., a subsidiary of KoSa, (Arteva Specialties) pled guilty to criminal violation of the Sherman Act related to anti-competitive conduct occurring after the 1998 sale of the polyester staple fiber business and paid a fine of $29 million. In a complaint pending against the Celanese Entities and Hoechst in the United States District Court for the Southern District of New York, Koch Industries, Inc., KoSa, Arteva Specialties and Arteva Services S.a.r.l. seek damages in excess of $371 million which includes indemnification for all damages related to the defendants alleged participation in, and failure to disclose, the alleged conspiracy during due diligence. The Company is actively defending this matter.

Guarantees

The Company has agreed to guarantee or indemnify third parties for environmental and other liabilities pursuant to a variety of agreements, including asset and business divestiture agreements, leases, settlement agreements and various agreements with affiliated companies. Although many of these obligations contain monetary and/or time limitations, others do not provide such limitations.

As indemnification obligations often depend on the occurrence of unpredictable future events, the future costs associated with them cannot be determined at this time.

Table of Contents

The Company has accrued for all probable and reasonably estimable losses associated with all known matters or claims that have been brought to its attention. These known obligations include the following:

Demerger Obligations

The Company has obligations to indemnify Hoechst, and its legal successors, for various liabilities under the Demerger Agreement, including for environmental liabilities associated with contamination arising under 19 divestiture agreements entered into by Hoechst prior to the demerger.

The Company s obligation to indemnify Hoechst, and its legal successors, is subject to the following thresholds:

The Company will indemnify Hoechst, and its legal successors, against those liabilities up to 250 million;

Hoechst, and its legal successors, will bear those liabilities exceeding 250 million; however, the Company will reimburse Hoechst, and its legal successors, for one-third of those liabilities for amounts that exceed 750 million in the aggregate.

The aggregate maximum amount of environmental indemnifications under the remaining divestiture agreements that provide for monetary limits is approximately 750 million. Three of the divestiture agreements do not provide for monetary limits.

Based on the estimate of the probability of loss under this indemnification, the Company had reserves of $33 million and $27 million as of September 30, 2009 and December 31, 2008, respectively, for this contingency. Where the Company is unable to reasonably determine the probability of loss or estimate such loss under an indemnification, the Company has not recognized any related liabilities.

The Company has also undertaken in the Demerger Agreement to indemnify Hoechst and its legal successors for liabilities that Hoechst is required to discharge, including tax liabilities, which are associated with businesses that were included in the demerger but were not demerged due to legal restrictions on the transfers of such items. These indemnities do not provide for any monetary or time limitations. The Company has not provided for any reserves associated with this indemnification as it is not probable or estimable. The Company has not made any payments to Hoechst or its legal successors during the nine months ended September 30, 2009 or 2008 in connection with this indemnification.

Divestiture Obligations

The Company and its predecessor companies agreed to indemnify third-party purchasers of former businesses and assets for various pre-closing conditions, as well as for breaches of representations, warranties and covenants. Such liabilities also include environmental liability, product liability, antitrust and other liabilities. These indemnifications and guarantees represent standard contractual terms associated with typical divestiture agreements and, other than environmental liabilities, the Company does not believe that they expose the Company to any significant risk.

The Company has divested numerous businesses, investments and facilities through agreements containing indemnifications or guarantees to the purchasers. Many of the obligations contain monetary and/or time limitations, ranging from one year to thirty years. The aggregate amount of guarantees provided for under these agreements is approximately $2.3 billion as of September 30, 2009. Other agreements do not provide for any monetary or time limitations.

Based on historical claims experience and its knowledge of the sites and businesses involved, the Company believes that it is adequately reserved for these matters. The Company has reserves related to these matters in the aggregate of $33 million as of both September 30, 2009 and December 31, 2008.

Other Obligations

The Company is secondarily liable under a lease agreement that the Company assigned to a third party. The lease expires on April 30, 2012. The lease liability for the period from October 1, 2009 to April 30, 2012 is estimated to be approximately $19 million.

The Company has agreed to indemnify various insurance carriers for amounts not in excess of the settlements received from claims made against these carriers subsequent to the settlement. The aggregate amount of guarantees under these settlements which is limited in term is approximately $10 million.

Asbestos Claims

As of September 30, 2009, Celanese Ltd. and/or CNA Holdings, LLC, both US subsidiaries of the Company, are defendants in approximately 517 asbestos cases. During the nine months ended September 30, 2009, 41 new cases were filed against the Company and 84 cases were resolved. Because many of these cases involve numerous plaintiffs, the Company is subject to claims significantly in excess of the number of actual cases. The Company has reserves for defense costs related to claims arising from these matters. The Company believes that there is no significant exposure related to these matters.

Purchase Obligations

In the normal course of business, the Company enters into commitments to purchase goods and services over a fixed period of time. The Company maintains a number of take-or-pay contracts for purchases of raw materials and utilities. As of September 30, 2009, there were outstanding future commitments of $1,854 million under take-or-pay contracts. The Company recognized $20 million of losses related to take-or-pay contract termination costs for the three months ended September 30, 2009 related to the Company s Pardies, France Project of Closure (see Note 15). The Company does not expect to incur any material losses under take-or-pay contractual arrangements unrelated to the Pardies, France Project of Closure.

13. Derivative Financial Instruments

To reduce the interest rate risk inherent in the Company s variable rate debt, the Company utilizes interest rate swap agreements to convert a portion of the variable rate debt to a fixed rate obligation. These interest rate swap agreements are designated as cash flow hedges. The notional value of the Company s US dollar interest rate swap agreements as of September 30, 2009 and December 31, 2008 was $1.6 billion and $1.8 billion, respectively. The notional value of the Company s Euro interest rate swap agreement was 150 million at both September 30, 2009 and December 31, 2008.

If an interest rate swap agreement is terminated prior to its maturity, the amount previously recorded in Accumulated other comprehensive income (loss), net, is recognized into earnings over the period that the hedged transaction impacts earnings. If the hedging relationship is discontinued because it is probable that the forecasted transaction will not occur according to the original strategy, any related amounts previously recorded in Accumulated other comprehensive income (loss), net are recognized into earnings immediately.

To protect the foreign currency exposure of a net investment in a foreign operation, the Company entered into cross currency swaps with certain financial institutions in 2004. The cross currency swaps and the Euro-denominated portion of the senior term loan were designated as a hedge of a net investment of a foreign operation. Under the terms of the cross currency swap arrangements, the Company paid approximately 13 million in interest and received approximately $16 million in interest on June 15 and December 15 of each year. Upon maturity of the cross currency swap agreements in June 2008, the Company owed 276 million ($426 million) and was owed $333 million. In settlement of the obligation, the Company paid $93 million (net of interest of $3 million) in June 2008.

During the year ended December 31, 2008, the Company dedesignated 385 million of the 400 Euro-denominated portion of the term loan, previously designated as a hedge of a net investment of a foreign operation. The remaining 15 million Euro-denominated portion of the term loan was dedesignated as a hedge of a net investment of a foreign operation in June 2009. Prior to the dedesignations, the Company had been using external derivative contracts to offset foreign currency exposures on certain intercompany loans. As a result of the dedesignations, the foreign currency exposure created by the Euro-denominated term loan is expected to offset the foreign currency exposure on certain intercompany loans, decreasing the need for external derivative contracts and reducing the Company s exposure to external counterparties.

The Company enters into foreign currency forwards and swaps to minimize its exposure to foreign currency fluctuations. Through these instruments, the Company mitigates its foreign currency exposure on transactions with third party entities as well as intercompany transactions. The forward currency forwards and swaps are not designated as hedges under FASB ASC 815, *Derivatives and Hedging*. Gains and losses on foreign currency forwards and swaps entered into to offset foreign exchange impacts on intercompany balances are classified as Other income (expense), net, in the unaudited interim consolidated statements of operations. Gains and losses on foreign currency forwards and swaps entered into to offset foreign exchange impacts on all other assets and liabilities are classified as Foreign exchange gain (loss), net, in the unaudited interim consolidated statements of operations. The notional value of the Company s foreign currency forwards and swaps as of September 30, 2009 and December 31, 2008 were both $1 billion.

The following table presents information regarding changes in the fair value of the Company s derivative arrangements:

	Three Months Ended September 30, 2009		**Nine Months Ended September 30, 2009**	
	Gain (Loss) Recognized in Other Comprehensive Income	**Gain (Loss) Recognized in Income**	**Gain (Loss) Recognized in Other Comprehensive Income**	**Gain (Loss) Recognized in Income**
	(In $ millions)			
Derivatives designated as cash flow hedging instruments				
Interest rate swaps	(20) [2]	(17) [1]	(33) [2]	(44) [1]
Derivatives designated as net investment hedging instruments				
Euro-denominated term loan	-	-	-	-
Derivatives not designated as hedging instruments				
Foreign currency forwards and swaps	-	(7)	-	(22)
Total	(20)	(24)	(33)	(66)

(1) Amount represents reclassification from Accumulated other comprehensive income (loss), net, and is classified as Interest expense in the unaudited interim consolidated statements of operations.
(2) Amount excludes tax effect of $4 million recognized in Other comprehensive income (loss).

See Note 14 for additional information regarding the fair value of the Company s derivative arrangements.

14. Fair Value Measurements

On January 1, 2009, the Company adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures* (FASB ASC 820) for nonrecurring fair value measurements of non-financial assets and liabilities, such as goodwill, indefinite-lived intangible assets, property, plant and equipment and asset retirement obligations. The adoption did not have a material impact on the Company s financial position, results of operations or cash flows.

FASB ASC 820 establishes a three-tiered fair value hierarchy that prioritizes inputs to valuation techniques used in fair value calculations. The three levels of inputs are defined as follows:

Level 1 unadjusted quoted prices for identical assets or liabilities in active markets accessible by the Company

Level 2 inputs that are observable in the marketplace other than those inputs classified as Level 1

Level 3 inputs that are unobservable in the marketplace and significant to the valuation

Table of Contents

FASB ASC 820 requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs. If a financial instrument uses inputs that fall in different levels of the hierarchy, the instrument will be categorized based upon the lowest level of input that is significant to the fair value calculation.

The Company s financial assets and liabilities are measured at fair value on a recurring basis and include securities available for sale and derivative financial instruments. Securities available for sale include US government and corporate bonds, mortgage-backed securities and equity securities. Derivative financial instruments include interest rate swaps and foreign currency forwards and swaps.

Marketable Securities. Where possible, the Company utilizes quoted prices in active markets to measure debt and equity securities; such items are classified as Level 1 in the hierarchy and include equity securities and US government bonds. When quoted market prices for identical assets are unavailable, varying valuation techniques are used. Common inputs in valuing these assets include, among others, benchmark yields, issuer spreads, forward mortgage-backed securities trade prices and recently reported trades. Such assets are classified as Level 2 in the hierarchy and typically include mortgage-backed securities, corporate bonds and other US government securities.

Derivatives. Derivative financial instruments are valued in the market using discounted cash flow techniques. These techniques incorporate Level 1 and Level 2 inputs such as interest rates and foreign currency exchange rates. These market inputs are utilized in the discounted cash flow calculation considering the instrument s term, notional amount, discount rate and credit risk. Significant inputs to the derivative valuation for interest rate swaps and foreign currency forwards and swaps are observable in the active markets and are classified as Level 2 in the hierarchy.

The following fair value hierarchy table presents information about the Company s assets and liabilities measured at fair value on a recurring basis:

	Fair Value Measurement Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
	(In $ millions)		
Marketable securities, at fair value			
US government debt securities	-	33	33
US corporate debt securities	-	1	1
Total debt securities	-	34	34
Equity securities	50	-	50
Money market deposits and other securities	-	3	3
Derivatives not designated as hedging instruments			
Foreign currency forwards and swaps	-	13	13 (1)
Total assets as of September 30, 2009	50	50	100
Derivatives designated as cash flow hedging instruments			
Interest rate swaps	-	(67)	(67) (2)
Interest rate swaps	-	(55)	(55) (3)
Derivatives not designated as hedging instruments			
Foreign currency forwards and swaps	-	(9)	(9) (2)
Total liabilities as of September 30, 2009	-	(131)	(131)
Marketable securities, at fair value			
US government debt securities	-	52	52
US corporate debt securities	-	3	3
Total debt securities	-	55	55
Equity securities	42	-	42
Money market deposits and other securities	-	3	3
Derivatives not designated as hedging instruments			
Foreign currency forwards and swaps	-	54	54 (1)
Total assets as of December 31, 2008	42	112	154

Derivatives designated as cash flow hedging instruments			
Interest rate swaps	-	(42)	(42) (2)
Interest rate swaps	-	(76)	(76) (3)
Derivatives not designated as hedging instruments			
Foreign currency forwards and swaps	-	(25)	(25) (2)
Total liabilities as of December 31, 2008	-	(143)	(143)

(1) Included in current Other assets in the unaudited consolidated balance sheets.

(2) Included in current Other liabilities in the unaudited consolidated balance sheets.

(3) Included in noncurrent Other liabilities in the unaudited consolidated balance sheets.

Certain assets and liabilities are measured at fair value on a nonrecurring basis and therefore, are not included in the table above. These include assets measured at cost that have to be tested for impairment on an annual basis by comparing fair value to carrying value.

The Company performed its annual goodwill impairment test during the three months ended September 30, 2009 using June 30 balances. Recoverability of goodwill was determined based on Level 3 inputs using a combination of both a discounted cash flow model incorporating discount rates commensurate with the risks involved for each reporting unit and the market approach which utilized comparable company data. In connection with this annual impairment test, the Company did not record an impairment loss related to goodwill (see Note 6).

The Company performed its annual impairment test of indefinite-lived intangible assets during the three months ended September 30, 2009 using June 30 balances. In connection with this annual impairment test, the Company recorded an impairment loss of less than $1 million to indefinite-lived intangible assets. The measurement of fair value was determined based on Level 3 inputs using a relief from royalty method to determine the estimated fair value for each indefinite-lived intangible asset (see Note 6).

The Company determined certain long-lived assets associated with its Pardies, France facility were impaired during the three months ended September 30, 2009 determined based on Level 3 inputs using a discounted cash flow model (see Note 3 and Note 15).

Summarized below are the carrying values and estimated fair values of financial instruments that are not carried at fair value on our consolidated balance sheets:

	As of September 30, 2009		As of December 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In $ millions)			
Cost investments	184	-	184	-
Insurance contracts in nonqualified pension trusts	67	67	67	67
Long-term debt, including current installments of long-term debt	3,390	3,224	3,381	2,404

In general, the cost investments included in the table above are not publicly traded and their fair values are not readily determinable; however, the Company believes the carrying values approximate or are less than the fair values.

As of September 30, 2009 and December 31, 2008, the fair values of cash and cash equivalents, receivables, trade payables, short-term debt and the current installments of long-term debt approximate carrying values due to the short-term nature of these instruments. These items have been excluded from the table. Additionally, certain noncurrent receivables, principally insurance recoverables, are carried at net realizable value.

The fair value of long-term debt is based on valuations from third-party banks and market quotations.

15. Other (Charges) Gains, Net

The components of Other (charges) gains, net, are as follows:

	Three Months Ended September 30,	Nine Months Ended September 30,

	2009	2008	2009	2008
		(In $ millions)		
Employee termination benefits	(65)	(8)	(94)	(19)
Plant/office closures	(20)	-	(20)	(7)
Ticona Kelsterbach plant relocation (see Note 19)	(4)	(3)	(10)	(8)
Plumbing actions	-	-	3	-
Insurance recoveries associated with Clear Lake, Texas	-	23	6	23
Sorbates antitrust actions (see Note 12)	-	8	-	8
Asset impairments	(7)	(21)	(8)	(21)
Total	(96)	(1)	(123)	(24)

Table of Contents

During the first quarter of 2009, the Company began efforts to align production capacity and staffing levels with the Company s view of an economic environment of prolonged lower demand. For the nine months ended September 30, 2009, Other charges included employee termination benefits of $33 million related to this endeavor. As a result of the shutdown of the vinyl acetate monomer (VAM) production unit in Cangrejera, Mexico, the Company recognized employee termination benefits of $1 million and long-lived asset impairment losses of $1 million during the nine months ended September 30, 2009. The VAM production unit in Cangrejera, Mexico is included in the Company s Acetyl Intermediates segment.

As a result of the Project of Closure (see Note 3), Other charges for the Company included exit costs of $85 million during the three months ended September 30, 2009, which consisted of $58 million in employee termination benefits, $20 million of contract termination costs and $7 million of long-lived asset impairment losses. The Pardies, France facility is included in the Acetyl Intermediates segment.

Due to continued declines in demand in automotive and electronic sectors, the Company announced plans to reduce capacity by ceasing polyester polymer production at its Ticona manufacturing plant in Shelby, North Carolina. Other charges for the three months ended September 30, 2009 included $2 million of employee termination benefits related to this event. The Shelby, North Carolina facility is included in the Advanced Engineered Materials segment.

Other charges for the nine months ended September 30, 2009 was partially offset by $6 million of insurance recoveries in satisfaction of claims the Company made related to the unplanned outage of the Company s Clear Lake, Texas acetic acid facility during 2007, a $2 million decrease in legal reserves for plumbing claims for which the statute of limitations has expired and $1 million of insurance recoveries associated with plumbing cases.

Other charges during the three and nine months ended September 30, 2008 primarily included $21 million of long-lived asset impairment losses on the Company s Pampa, Texas facility, a $23 million recovery of insurance claims associated with the unplanned outage of the Company s Clear Lake, Texas facility during 2007, and the release of reserves related to the $8 million, net settlement of the Sorbates antitrust actions. Employee termination benefits during 2008 primarily related to the Company s strategy to simplify and optimize its business portfolio.

The changes in the restructuring reserves by business segment are as follows:

	Advanced Engineered Materials	**Consumer Specialties**	**Industrial Specialties**	**Acetyl Intermediates**	**Other**	**Total**
			(In $ millions)			
Employee Termination Benefits						
Reserve as of December 31, 2008	2	2	6	17	2	29
Restructuring additions	12	6	5	64	7	94
Cash payments	(6)	(4)	(7)	(21)	(5)	(43)
Exchange rate changes	1	-	-	1	-	2
Reserve as of September 30, 2009	9	4	4	61	4	82
Plant/Office Closures						
Reserve as of December 31, 2008	-	2	-	-	1	3

Restructuring additions	-	-	-	20	-	20
Transfer to demolition accrual (current Other liabilities)	-	(2)	-	-	-	(2)
Cash payments	-	-	-	-	(1)	(1)
Reserve as of September 30, 2009	-	-	-	20	-	20
Total	9	4	4	81	4	102

Table of Contents

16. Income Taxes

The Company s effective income tax rate for the three months ended September 30, 2009 was (714)% compared to (8)% for the three months ended September 30, 2008. The Company s effective income tax rate for the nine months ended September 30, 2009 was (212)% compared to 17% for the nine months ended September 30, 2008. The decrease in the effective income tax rate was primarily due to a decrease in the valuation allowance on US net deferred tax assets, partially offset by lower earnings in jurisdictions participating in tax holidays, additions to reserves for uncertain tax positions and related interest and an increase in valuation allowances on certain foreign net deferred tax assets.

Since 2004, the Company has maintained a valuation allowance against its US net deferred tax assets. FASB ASC 740, *Income Taxes*, requires the Company to continually assess all available positive and negative evidence to determine whether it is more likely than not that the net deferred tax assets will be realized. In the third quarter of 2009, the Company concluded that, except for certain state net operating and capital loss carryforwards, it is more likely than not that it will realize its net US deferred tax assets. Accordingly, during the three months ended September 30, 2009, the Company recorded a discrete deferred tax benefit of $382 million for the release of the beginning-of-the-year US valuation allowance associated with those US net deferred tax assets expected to be realized in years subsequent to 2009.

Absent the $382 million discrete release of the US valuation allowance, the Company s effective tax rate for the three months ended September 30, 2009 would have been 65% compared to (8)% for the three months ended September 30, 2008, and the Company s effective income tax rate for the nine months ended September 30, 2009 would have been 35% compared to 17% for the nine months ended September 30, 2008. The increase in the effective income tax rate was primarily due to lower earnings in jurisdictions participating in tax holidays, additions to reserves for uncertain tax positions and related interest and increases in valuation allowances on certain foreign net deferred tax assets.

Liabilities for unrecognized tax benefits and related interest and penalties are recorded in Uncertain tax positions and current Other liabilities in the unaudited consolidated balance sheets. For the nine months ended September 30, 2009, the total unrecognized tax benefits, interest and penalties increased by $13 million, of which $11 million related to currency translation adjustments. The Company expects to resolve certain tax matters within the next twelve months due to the conclusion of tax examinations, which could result in a reduction of the Company s unrecognized tax benefits of $6 million.

Equity in net earnings (loss) of affiliates included $19 million in earnings related to a one-time reversal of deferred tax liabilities recorded by the Company s Polyplastics Co., Ltd equity-method investee due to a foreign tax law enactment. The Company s Polyplastics Co., Ltd equity-method investment is included in the Advanced Engineered Materials segment.

Table of Contents

17. Business Segments

	Advanced Engineered Materials	Consumer Specialties	Industrial Specialties	Acetyl Intermediates	Other Activities	Eliminations	Consolidated
				(In $ millions)			
Three months ended September 30, 2009							
Net sales	220	271	236	666(1)	-	(89)	1,304
Other (charges) gains, net	(6)	(3)	(2)	(85)	-	-	(96)
Equity in net earnings (loss) of affiliates	11	-	-	2	6	-	19
Earnings (loss) from continuing operations before tax	32	52	44	(9)	(70)	-	49
Depreciation and amortization	17	13	14	34	5	-	83
Capital expenditures	5	12	7	7	3	-	34(3)
Three months ended September 30, 2008							
Net sales	272	295	378	1,056(1)	-	(178)	1,823
Other (charges) gains, net	(3)	-	-	(5)	7	-	(1)
Equity in net earnings (loss) of affiliates	12	1	-	1	5	-	19
Earnings (loss) from continuing operations before tax	25	43	18	133	(67)	-	152
Depreciation and amortization	19	13	15	36	2	-	85
Capital expenditures	16	15	18	21	3	-	73(4)

Table of Contents

	Advanced Engineered Materials	Consumer Specialties	Industrial Specialties	Acetyl Intermediates	Other Activities	Eliminations	Consolidated
				(In $ millions)			
Nine months ended September 30, 2009							
Net sales	569	817	745	1,860(2)	1	(298)	3,694
Other (charges) gains, net	(19)	(6)	(5)	(86)	(7)	-	(123)
Equity in net earnings (loss) of affiliates	26	1	-	5	12	-	44
Earnings (loss) from continuing operations before tax	28	240	73	51	(237)	-	155
Depreciation and amortization	53	37	41	93	9	-	233
Capital expenditures	15	30	33	23	4	-	105(3)
Goodwill and intangible assets	394	305	64	358	-	-	1,121
Total assets	2,131	1,073	770	1,973	2,303	-	8,250
Nine months ended September 30, 2008							